
LOUISIANA SYMPHONY ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2012

LOUISIANA SYMPHONY ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Louisiana Symphony Association
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of the Louisiana Symphony Association (a not-for-profit organization) (the Association) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Symphony Association as of June 30, 2012 and 2011, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, on our consideration of the Louisiana Symphony Association's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 4, 2012

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 5,512
Restricted cash - LYO	26,283	26,283
Investments - unrestricted	-	11,121
Investments - restricted	168,316	167,315
Receivables - other	53,379	42,000
Prepaid expenses and other assets	264	9,639
Total current assets	248,242	261,870
<u>ENDOWMENT INVESTMENTS</u>	375,000	375,000
<u>BENEFICIAL INTEREST IN BR SYMPHONY LEAGUE</u>	49,888	87,724
<u>PROPERTY AND EQUIPMENT, NET</u>	86,768	89,310
Total assets	<u>\$ 759,898</u>	<u>\$ 813,904</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 71,199	\$ 3,205
Outstanding checks in excess of bank balance	36,379	-
Lines of credit	81,578	105,512
Accrued expenses	36	600
Deferred revenues:		
Ticket sales for concerts	210,671	208,838
Total liabilities	<u>399,863</u>	<u>318,155</u>
<u>NET ASSETS</u>		
Unrestricted	(193,821)	(72,849)
Temporarily restricted	178,856	193,598
Permanently restricted	375,000	375,000
Total net assets	<u>360,035</u>	<u>495,749</u>
Total liabilities and net assets	<u>\$ 759,898</u>	<u>\$ 813,904</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>SUPPORT AND REVENUE</u>				
Concerts	\$ 546,022	\$ -	\$ -	\$ 546,022
Contributed services	88,813	-	-	88,813
Government	103,289	-	-	103,289
Annual fund contributions	222,052	-	-	222,052
Sponsorships	338,909	-	-	338,909
Investment income	-	(14,742)	-	(14,742)
Special events	86,256	-	-	86,256
Other	155,242	-	-	155,242
Change in net assets of League	(2,836)	-	-	(2,836)
Total support and revenue	1,537,747	(14,742)	-	1,523,005
Net assets released from restriction	-	-	-	-
Total revenues and other support	1,537,747	(14,742)	-	1,523,005
<u>EXPENSES</u>				
Program expenses	983,570	-	-	983,570
Marketing	157,312	-	-	157,312
Development	88,567	-	-	88,567
General and administrative expenses	429,270	-	-	429,270
Total expenses	1,658,719	-	-	1,658,719
CHANGE IN NET ASSETS	(120,972)	(14,742)	-	(135,714)
<u>NET ASSETS</u>				
Beginning of year	(72,849)	193,598	375,000	495,749
End of year	\$ (193,821)	\$ 178,856	\$ 375,000	\$ 360,035

The accompanying notes are an integral part of these financial statements.

2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 519,070	\$ -	\$ -	\$ 519,070
73,001	-	-	73,001
108,500	-	-	108,500
223,439	-	-	223,439
343,900	-	-	343,900
-	56,115	-	56,115
141,210	-	-	141,210
139,016	-	-	139,016
74,010	-	-	74,010
<u>1,622,146</u>	<u>56,115</u>	<u>-</u>	<u>1,678,261</u>
 15,000	 (15,000)	 -	 -
<u>1,637,146</u>	<u>41,115</u>	<u>-</u>	<u>1,678,261</u>
 1,020,156	 -	 -	 1,020,156
146,416	-	-	146,416
107,357	-	-	107,357
440,119	-	-	440,119
<u>1,714,048</u>	<u>-</u>	<u>-</u>	<u>1,714,048</u>
 (76,902)	 41,115	 -	 (35,787)
 4,053	 152,483	 375,000	 531,536
<u>\$ (72,849)</u>	<u>\$ 193,598</u>	<u>\$ 375,000</u>	<u>\$ 495,749</u>

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (135,714)	\$ (35,787)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	10,932	10,440
Bad debt	1,750	-
Unrealized (gain) loss on investments	33,962	(39,038)
Change in beneficial interest in BR Symphony League	2,836	(74,010)
Change in:		
Other receivables	(13,129)	18,092
Prepaid expenses and other current assets	9,375	(3,937)
Accounts payable	67,994	(4,438)
Accrued expenses	(564)	(5,821)
Deferred revenues	1,833	(26,114)
Net cash used in operating activities	<u>(20,725)</u>	<u>(160,613)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash from BR Symphony League	35,000	51,000
Capital expenditures	(8,390)	(5,427)
Proceeds from maturities of investments	39,735	35,349
Purchase of investments	<u>(63,577)</u>	<u>(48,547)</u>
Net cash provided by investing activities	<u>2,768</u>	<u>32,375</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal paydowns on line of credit	(23,934)	-
Net proceeds from line of credit	-	105,512
Increase in outstanding checks in excess of bank balance	<u>36,379</u>	<u>-</u>
Net cash provided by financing activities	<u>12,445</u>	<u>105,512</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,512)	(22,726)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>31,795</u>	<u>54,521</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 26,283</u>	<u>\$ 31,795</u>
<u>Supplemental disclosures:</u>		
Cash paid during the year for interest	<u>\$ 2,613</u>	<u>\$ 2,811</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Nature of Activities**

The Louisiana Symphony Association (the Association) was founded in 1947 to provide a symphony orchestra with a regional and national profile and to provide educational and cultural enrichment for the people of greater Baton Rouge and the State of Louisiana.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting. The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC)*. The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

In accordance with the accounting for contributions received and contributions made contained in the ASC, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give cash and other assets donated to the Association are reported at fair value on the date the promise is received.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies** (continued)

Grant Revenue Recognition

Grants which represent exchange transactions are recorded as a receivable when the grant is formally committed. Grants committed at year end which are applicable to the subsequent fiscal period are included in grants receivable and deferred income. Grants which represent contributed support are recognized in the same manner as promises to give.

Deferred Revenue

Deferred revenue represents tickets for concerts that have been sold or sponsorships received prior to date of the concert. After the concert is performed, the revenue from the concert will be realized and recorded as revenue. In the event any of the productions are not presented, the advance ticket collections for that concert will be available for refund to the ticket holders.

Volunteer Services

A substantial number of unpaid volunteers have made a significant contribution of service to develop the Association's programs, principally in fund raising activities, operations, and board participation. The value of this service is not reflected in these statements since it does not meet the criteria for recognition.

Restricted and Designated Net Assets

The Association has an endowment trust funded by contributions. Unrestricted donor contributions can be used at the Association's discretion. The principal for permanently restricted donor contributions must remain intact. Funds donated with restrictions on principal have been classified as permanently restricted net assets.

Property and Equipment

Property and equipment are stated at cost. The Association capitalizes all assets with an initial cost that is greater than \$500. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets.

Income Taxes

The Association has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Association adopted the accounting guidance related to accounting for uncertain tax positions. In Management's judgment, the Association does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitation for the examination of the Association's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after June 30, 2009.

Cash and Cash Equivalents

The Association considers all highly liquid investments with maturities of three months or less at the date of acquisition to be "cash equivalents." Cash and cash equivalents for purposes of the statements of cash flows excludes permanently restricted cash and cash equivalents and amounts held in brokerage accounts.

Accounts Receivable

Accounts receivable, which are made up primarily of sponsorships and advertising contracts, are stated at the amount management expects to collect from balances outstanding at year-end and are determined to be past due based on contractual terms. Based on management's assessment of credit history with clients having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year end, if any, will be immaterial.

Functional Allocation of Expenses

The costs of providing for the various programs and other activities of the Association have been summarized on the functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform with the current year presentation.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies** (continued)

Investments and Investment Revenues

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Unrealized gains and losses and other investment income are recorded in current year operations as increases or decreases in temporarily restricted net assets until the gains and losses receive appropriation for expenditure.

Donated investments are recorded at market value at the date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost bases of the securities sold, using the specific identification method. These realized gains and losses flow through the Association's current operations.

Contributed Services

The Association recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. The value of contributed services meeting the requirements for recognition in the financial statements was \$88,813 and \$73,001 for the years ended June 30, 2012 and 2011, respectively.

3. **Current Operating Environment**

Over the past several years, the Association has experienced operating losses and negative cash flow from operating activities. At June 30, 2012, the Association has a deficit in unrestricted net assets of \$193,821.

The Association has developed a management plan to manage its cash flow and liabilities through management of expenses and seeking new or expanded sources of support which include the following:

- Management has filled a new Director of Development position that will help them pursue corporate sponsorships
- Management will make stronger efforts to increase the annual fund contributions and give more attention to individual donors
- Management will make stronger push for Board contributions and sponsorships
- Management will make every effort to bring in a well known, big name performer for the annual Pennington Great Performances concert in hopes that it will continue to draw large audiences

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. **Beneficial Interest in Baton Rouge Symphony League**

In accordance with the Transfers of Assets to a Not-for-Profit Organization that Raises or Holds Contributions for Others topic of FASB ASC, the net assets of the League are treated as a beneficial interest asset on the Association's financial statements. The effect of this guidance is for the Association to recognize an asset equal to the net assets of the League, similar to the equity method of accounting.

5. **Property and Equipment**

A summary of property and equipment, accumulated depreciation, and related service lives at June 30th, is as follows:

	<u>Estimated Service Lives</u>	<u>2012</u>	<u>2011</u>
Equipment	3 – 7 years	\$ 39,234	\$ 53,590
Furniture and fixtures	5 – 7 years	23,683	25,130
Piano	20 years	<u>92,750</u>	<u>92,750</u>
		155,667	171,470
Less accumulated depreciation		<u>(68,899)</u>	<u>(82,160)</u>
		<u>\$ 86,768</u>	<u>\$ 89,310</u>

6. **Investments**

The following schedule summarizes the investment revenues and their classification in the statements of activities for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 19,220	\$ 17,077
Unrealized gains (losses), net	<u>(33,962)</u>	<u>39,038</u>
Total investment income (loss)	<u>\$ (14,742)</u>	<u>\$ 56,115</u>

Fair Value

The *Fair Value Measurements and Disclosure* topic of FASB ASC establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Investments (continued)

- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 44,274	\$ -	\$ -	\$ 44,274
Mutual Funds				
Blend	39,727	-	-	39,727
Growth	77,314	-	-	77,314
Value	64,069	-	-	64,069
Index	55,473	-	-	55,473
Bond	<u>176,794</u>	<u>-</u>	<u>-</u>	<u>176,794</u>
Total Mutual Funds	457,651	-	-	457,651
Baton Rouge Area Foundation	<u>-</u>	<u>85,665</u>	<u>-</u>	<u>85,665</u>
Total Assets at Fair Value	<u>\$ 457,651</u>	<u>\$ 84,822</u>	<u>\$ -</u>	<u>\$ 543,316</u>

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 52,213	\$ -	\$ -	\$ 52,213
Mutual Funds				
Blend	48,310	-	-	48,310
Growth	89,043	-	-	89,043
Value	61,691	-	-	61,691
Index	52,161	-	-	52,161
Bond	171,268	-	-	171,268
Total Mutual Funds	422,473	-	-	422,473
Baton Rouge Area Foundation	-	78,750	-	78,750
Total Assets at Fair Value	\$ 474,686	\$ 78,750	\$ -	\$ 553,436

7. Lines of Credit

The Association had available lines of credit totaling \$400,000 at June 30, 2012 and 2011 from financial institutions. The lines of credit are secured with the Associations deposit accounts. The lines of credit, related balances, maturities, and interest rates as of June 30, 2012 and 2011, respectively, are as follows:

2012

<u>Financial Institution</u>	<u>Rate</u>	<u>Balance</u>	<u>Maturity</u>
Iberia Bank	4.50% (variable)	\$ 81,578	January 23, 2013
JP Morgan Chase	4.75% (variable)	\$ -	no stated maturity

2011

<u>Financial Institution</u>	<u>Rate</u>	<u>Balance</u>	<u>Maturity</u>
Iberia Bank	4.50% (variable)	\$ 105,000	January 23, 2012
JP Morgan Chase	4.75% (variable)	\$ 512	no stated maturity

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. **Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following purposes at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
88 Keys	\$ 102,513	\$ 102,513
Endowment income - education	50,060	64,802
LYO fundraising	<u>26,283</u>	<u>26,283</u>
	<u>\$ 178,856</u>	<u>\$ 193,598</u>

9. **Net Assets Released From Restrictions**

Net assets released from donor restrictions for incurring program related expenses satisfying the restricted purposes were as follows for the years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Endowment income – education	\$ <u> </u>	\$ <u>15,000</u>

10. **Related Party**

The Association leases its office from a member of the board under an operating lease. The lease requires monthly payments of \$3,632.50 for the first year and \$3,717.50 for the second year. The lease agreement stipulates that the lessor will pay the Association \$6,000 annually in contribution towards the lease expense. The Association made lease payments of \$33,083 and \$33,000 to the board member during the year ended June 30, 2012 and 2011, respectively.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

11. Lease Agreement

The Association signed a lease agreement for their current location in March, 2008. The lease term was for thirty-eight months beginning June 1, 2008, with an option to renew for an additional thirty-six months. The Association renewed the lease effective June 1, 2011 for an additional twelve month, then renewed the lease effective June 1, 2012 for an additional 24 months. The monthly lease amount is \$2,832.50 for the first year of the second extension and \$2,917.50 for the second year. The Association signed an additional lease for the first floor of the building that they currently occupy. The lease term 24 months and is effective June 1, 2012. The monthly lease amount is \$800 for both years. The agreement stipulates that the lessor, a related party, will pay the Association \$6,000 annually in contribution towards the lease expense. Future lease payments, by year and in the aggregate are due as follows:

2013	\$ 43,675
2014	<u>40,893</u>
	<u>\$ 84,568</u>

For the year ended June 30, 2012 and June 30, 2011, rent expense was \$33,083 and 33,000, respectively.

12. Dependence on Contribution Revenue and Grants

The Association is heavily dependent on contribution revenue and grant income to subsidize the cost of concerts and special events. The Association incurred a decrease in net assets of \$120,792 during fiscal year 2012. For the fiscal year 2013, management has developed a plan to push annual fund contributions and mitigate costs associated with performances (see Note 3).

13. Endowed Net Assets

Effective July 1, 2010, the Louisiana legislature enacted Act No. 168 ("Act") to implement the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as the standard for the management and investment of institutional funds in Louisiana. The Act permits an institution to appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. As of June 30, 2012 and 2011, the Association holds permanently and temporarily restricted assets within an endowment account at Merrill Lynch. The principal amount of \$375,000 as a result of the donations received shall not be expended for any purpose whatsoever. The expenditure of funds from these endowments is limited to the income from the investment of the principal. The funds are under the direction and control of the Executive Director of the Association. During the life of the donor for each endowment, an annual report of the expenditure of endowment income shall be made to the Donor(s) or his/her designee(s). There was no activity in the endowed account during the two-year period ended June 30, 2012.

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

14. **Subsequent Events**

Management has evaluated events through the date that the financial statements were available to be issued, December 4, 2012, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

The Board of Directors
Louisiana Symphony Association
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Symphony Association as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Louisiana Symphony Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the effectiveness of the Association's internal control, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Association's internal control to be significant deficiencies:

Findings and Questioned Costs – Financial Statements

2012-1

Drafting of Financial Statements and Related Notes

Criteria:

The definition of internal control over financial reporting includes ensuring that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Association, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Cause:

As a result of analysis performed by the Association, the Association has decided not to hire an individual to prepare the financial statements in accordance with GAAP due to cost considerations.

Condition:

As part of the audit process, we assisted management in drafting the financial statements and related notes for the year-end audit procedures. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Association personnel is not sufficient.

Effect:

The Association has a significant deficiency in their internal control over financial reporting.

Recommendation:

The Association should evaluate the costs and benefits of hiring someone to take a more active and participatory role in the drafting of financial statements.

**Management's Response
& Corrective Action:**

Management agrees with the recommendation; however, due to cost constraints no changes will be made at this time. Management will continue to evaluate the preparation of the financial statements and consider the cost-benefit analysis.

2012-2

Segregation of Duties

Criteria:

Internal control over financial reporting should include policies and procedures that ensure that controls over the accounting function are segregated to serve as a check and balance. Additionally, oversight personnel should not have access to the general ledger or perform any financial reporting functions.

Cause:

During our audit we noted that a single individual reconciles bank accounts, performs all payroll duties, and maintains the general ledger. Additionally, oversight is provided by another individual; however, this individual also has access to the general ledger and performs certain accounting functions. Checks are signed by someone outside of the accounting function.

Condition:

Due to the limited number of people working for the Organization, many of the critical duties are combined and assigned to two employees. Presently, a single individual performs the majority of the accounting functions.

Effect:

The lack of segregation of duties in the accounting function constitutes a significant deficiency in their internal control over financial reporting.

Recommendation:

A properly segregated accounting function includes segregation over the duties of access, recording and reconciling functions. We recommend that as part of the monthly financial statement review by the Board that they also consider reviewing a list of monthly contributions as well as a list of cash disbursements.

**Management's Response
& Corrective Action:**

Management agrees with the recommendation and will implement more board oversight accordingly.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Association's responses to the significant deficiencies identified in our audit are described above. We did not audit the Association's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of directors, management of the Louisiana Symphony Association and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite / Netterville

Baton Rouge, Louisiana

December 4, 2012

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unqualified opinion on the financial statements of the Louisiana Symphony Association.
2. No material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No material instances of noncompliance material to the financial statements of the Louisiana Symphony Association were disclosed during the audit.
4. A management letter was not issued regarding the current year's audit.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

1. Significant deficiency 2012-1
2. Significant deficiency 2012-2

LOUISIANA SYMPHONY ASSOCIATION
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

A. FINDINGS – FINANCIAL STATEMENT AUDIT:

2011-1 Repeat comment, see 2012-1

B. MANAGEMENT LETTER COMMENTS PRIOR YEAR:

None.